

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # - 2438/5
INTRODUCTION # AB 390
Admin. Rule #

Subject
Define Tangible Personal Property Subject to a Sales or Use Tax

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|--|--|---|
| <input type="checkbox"/> Increase Existing Appropriation | <input checked="" type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Create New Appropriation | | |

Local: No Local Government Costs

- | | | |
|--|---|---|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input checked="" type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>SWBPD</u>
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

- Fund Sources Affected**
 GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

The proposed bill clarifies the current statutory language with regards to the definition of tangible personal property. This bill specifies that information transferred in books, video tapes, video game cartridges, compact disks and similar media are considered tangible personal property and, as such, subject to the sales and use tax.

Most items specified by the proposed bill are currently treated by the Department as tangible personal property subject to the sales and use tax. However, the Department has identified that the sale of all mailing lists through a tangible medium (e.g., magnetic tape, diskette, etc.) would become taxable.

Based on direct mail advertising expense estimates for the U.S., taxing all mailing lists transferred in a tangible form would raise an estimated \$750,000 annually. According to the Direct Marketing Association (DMA) Statistical Fact Book, direct mail advertising expenses in the U.S. are an estimated \$36.6 billion. The DMA also estimates mailing lists account for 11% of direct mailing costs for the 35% of marketers that purchase or rent the lists. Therefore, total list sales revenue for the U.S. is an estimated \$1.4 billion (\$36.6 billion x 11% x 35%) annually. Based on Wisconsin's share of U.S. direct mail advertising revenues, the value of all mailing list sales and transfers would be \$25 million (\$1.4 billion x 1.8%) annually. Nearly 10% of these sales are currently taxable as a transfer of tangible personal property and another 30% would remain exempt from the sales tax because they are transferred electronically. Thus, an estimated \$15 million (\$25 million x 60%) of sales would become subject to the sales and use tax, and the total revenue gain associated with this proposal would be \$750,000 (\$15 million x 5%) annually.

In 1998, county and Southeastern Wisconsin Professional Baseball Park District sales tax revenues were 6.24% of state sales tax revenues. Assuming that this percentage still applies, local sales tax revenues would increase by approximately \$47,000 (\$750,000 x .0624) annually.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	Date 9/17/99
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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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 CORRECTED SUPPLEMENTAL

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Subject

Define Tangible Personal Property Subject to a Sales or Use Tax

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$ 750,000	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ 750,000	\$ -

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ + 750,000	\$ + 47,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	9/17/99